

VZCZCXRO5366
RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN
DE RUEHLU #1015/01 2761255
ZNR UUUUU ZZH
R 031255Z OCT 07
FM AMEMBASSY LUANDA
TO RUEHC/SECSTATE WASHDC 4352
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHBJ/AMEMBASSY BEIJING 0103
RUEHHK/AMCONSUL HONG KONG 0006

UNCLAS SECTION 01 OF 02 LUANDA 001015

SIPDIS

SENSITIVE
SIPDIS

FOR AF/S AND EAP/CM
DEPT PASS USTDA

E.O. 12958: N/A
TAGS: [ETRD](#) [EINV](#) [AO](#) [CH](#)
SUBJECT: ANGOLA -- BENGUELA RAILROAD CONSTRUCTION IN
ABEYANCE

REF: LUANDA 648

11. (SBU) Summary: The Benguela Railway is one of three strategic railroads linking Angola with its neighbors to the north and south. Although the China International Fund (CIF) won a contract to restore the Benguela line in January 2006, the company has yet to lay down rails. The Chinese director of the CIF's prime subcontractor reports his company has not been paid by the CIF, and that restoration of the Benguela line will not move forward until the CIF's (unspecified) financial problems are resolved. End Summary.

CFB Tries Bootstrapping

12. (SBU) On 24 September 2007, Econoff and visiting political and economic officers met with Gil Vaz de Carvalho, the Financial Manager of the Benguela Railway (CFB). When operational, the Benguela railway connects Southern Africa to the Democratic Republic of Congo and Zambia. The railroad has been inoperable since Angola's 1974-2002 civil war. Since late 2005, according to the CFB, the railway has operated on 221 kilometers of restored track in three isolated sections, providing passenger service in the Benguela-Lobito area, around the city of Huambo, and around Kuito, Bie Province. The CFB itself laid the rails, contracting out the work of building bridges and grading some sections of right-of-way. Passenger service does not earn enough to cover operating costs, however, so the CFB currently depends on GRA subsidies to continue operating, said Vaz de Carvalho.

13. (SBU) In January 2006, Angola's Office of National Reconstruction GRN awarded the contract for restoration of the Benguela Line to the China International Fund. The CIF subcontracted the restoration to various Chinese construction companies, principally the 20th Railway Construction Brigade (RCB). The work, including laying the rails, building new stations, and installing all signaling, was originally to have been completed by August 2007, according to the contract. Over the last 21 months, according to the CFB, the 20th RCB has constructed nine work camps, bulldozed rough access roads, established a gravel quarry and positioned equipment, but has not laid a single rail. (Note: The next day, the director of operations for the 20th RCB, a Mr. Niu, informally acknowledged to Econoff that work could not begin because the CIF "has no money" to pay for the work currently being done). According to the CFB, even if the 20th RCB began laying rails, a 400-kilometer section of the railroad between Camacupa and Luena has not yet been demined by the Angolan Armed Forces (FAA).

Press Reports to the Contrary

¶4. (SBU) On September 15, Angola's Government-owned daily, the Jornal de Angola, reported that work on Angola's three railway lines was already 75 percent complete, quoting data from the Ministry of Public Works. The article avoids mentioning track laying on the Benguela line, instead listing the construction of access roads, a factory to produce ballast (gravel) and a production plant for concrete railway ties. The report also mentions the FAA is clearing mines from the 400 kms. of affected thoroughway. Vaz de Carvalho said he had read the article and was puzzled by the report, especially, he added, because the Ministry of Public Works has no responsibility for the Benguela project.

Eager Mine Owners in the Congo

¶5. (SBU) Mine Operators in the Congo and Zambia are eager to have an alternative route to export minerals. Their ore takes three weeks to reach Durban by rail, explained Vaz de Carvalho. When they try sending the ore by truck with armed escorts, he continued, bandits attack the convoys, the drivers and cargo vanish, while the trucks or their trailers may be identified months later in Mocambique or Tanzania.

Comment

¶6. (SBU) The work stoppage on the Benguela line parallels prior reporting on problems facing restoration of the Malange RR line (reftel). Niu's explanation supports some rumors among the Chinese in Luanda that the GRA's loose management

LUANDA 00001015 002 OF 002

of oil credits and its opaque relationship with the CIF may be key factors in the delayed roll out of politically important social and economic development projects.
FERNANDEZ